

Statement for the Record
Representative Patrick J. Tiberi
Committee on Financial Services
Subcommittee on Capital Markets, Insurance and GSEs
September 7, 2006 Hearing
"A Review of the Federal Home Loan Bank System"

I would like to thank Chairman Baker for holding this hearing this morning. I'd also like to thank Finance Board Chairman Rosenfeld for testifying before the Committee.

As you know, the Federal Housing Finance Board issued a proposed excess stock/retained earnings rule on March 15, 2006. This proposal would require a bank to meet a retained earnings standard of \$50 million plus 1% of nonadvance assets. If that point is not met, then banks would have to cut cash dividends by 50%, eliminate stock dividends, and limit the amount of excess stock it could hold. The potentially harmful result of this proposed rule is of great interest to me. I have heard from many groups nation wide, opposing this proposal.

The Chairmen and Vice Chairmen of each Federal Home Loan Banks signed a letter calling for the withdrawal of the proposal and issuance of an advanced notice of proposed ruling making for the future. The American Bankers Association and the state bankers associations signed a joint letter calling for the withdrawal of the proposed rule. Additionally some national organizations have opposed the rule such as: National Association of Federal Credit Unions, National Low Income Housing Coalition, National Association of Home Builders, Catholic Charities USA and the National Association of Housing Cooperatives. Specifically I'd like the record to show that over half of the 1,066 letters of opposition are from outside the 5th district of Cincinnati. It is not accurate to strictly limit opposition to the proposed rule to the Fifth Federal Home Loan Bank of Cincinnati.

Again, thank you Chairman Rosenfeld for your presence at today's hearing and I look forward to your testimony.